S. HRG. 101-809

NOMINATIONS OF TIMOTHY J. McBRIDE AND C. M. SCHAUERTE

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

SECOND SESSION

ON

THE NOMINATIONS OF

TIMOTHY J. McBRIDE, OF MICHIGAN, TO BE AN ASSISTANT SECRETARY OF COMMERCE FOR TRADE DEVELOPMENT, VICE MICHAEL PHILIP SKARZYNSKI

AND

C. M. SCHAUERTE, OF TEXAS, TO BE FEDERAL INSURANCE ADMINISTRATOR, FEDERAL EMERGENCY MANAGEMENT AGENCY, VICE HAROLE T. DURYEE, RESIGNED

JULY 13, 1990

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NOMINATIONS OF TIMOTHY J. McBRIDE, OF MICHIGAN, TO BE AN ASSISTANT SECRETARY OF COMMERCE FOR TRADE DEVELOPMENT, VICE MICHAEL PHILIP SKARZYNSKI, AND C. M. SCHAUERTE, OF TEXAS, TO BE FEDERAL INSURANCE ADMINISTRATOR, FEDERAL EMERGENCY MANAGEMENT AGENCY, VICE HAROLD T. DURYEE, RESIGNED

FRIDAY, JULY 13, 1990

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The committee met at 10:00 a.m., in room SD-538 of the Dirksen Senate Office Building, Senator Donald W. Riegle, Jr. (chairman of the committee) presiding.

Present: Senators Riegle, Gramm, Garn, and Dixon.

OPENING STATEMENT OF CHAIRMAN RIEGLE

The CHAIRMAN. The committee will come to order. Let me welcome all those in attendance this morning, and very particularly all our nominees and my friend and colleague from the House in Michigan Carl Pursell. We are very pleased to have you.

We're going to be taking up today a series of nominations. I want to say we're a little late getting started. We worked late last evening and late yesterday.

Well after these hearings had been scheduled, a decision was made to schedule a vote on the final passage of the Disabilities Act this morning. That vote is still in progress on the floor, so that necessitated the late start for us here in the committee.

We are going to begin today with the nomination of Timothy McBride to be the Assistant Secretary of Commerce for Trade and Development. He has been named to assume the responsibilities of the Assistant Secretary of Commerce in that position and was nominated by President Bush.

Although he was born in California, he has close ties to my home State of Michigan and graduated from Eastern Michigan University in 1982.

The Assistant Secretary for Commerce and Trade Development has a key role to play in our nation's efforts to address its massive and continuing trade imbalances.

Trade deficits for the last 10 years have caused the United States to lose its title as the largest creditor nation and to, instead, assume the title of the world's largest debtor nation. This development is lessening our nation's ability to influence the shape of events around the world and will eventually result in a lower standard of living for our people if we do not turn the situation around soon.

Mr. McBride, if confirmed as Assistant Secretary, you will be responsible for carrying out Commerce Department programs to strengthen our export competitiveness and promote U.S. industry participation in international markets.

You will also help implement aspects of our multi-national trade negotiations in the GATT and elsewhere, and help track the nature and size of the growing foreign investment in our country.

You assume these important responsibilities, if confirmed, at a time of enormous challenge for our country. And so I'm very interested, as is the committee, in hearing from you today as to what plans you have to carry them out and to improve our trade position in the world.

Now, I want to call on our House colleague, Carl Pursell, for any comments he wishes to make.

We're delighted to have you.

STATEMENT OF CARL PURSELL, U.S. REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Congressman PURSELL. Thank you, Mr. Chairman. It's an honor as a member of the House Appropriations Committee. We don't have many opportunities to come over and visit our colleagues in the Senate. But, I wanted to personally take time today to recommend to you and your Senate colleagues an outstanding American, an outstanding community leader in Michigan, whom I've had the privilege to know for many long years.

Out of Eastern Michigan University and active in the Ann Arbor area for a number of years, he participated in both community leadership roles and was recently selected an outstanding alumnus.

A young man from Eastern Michigan University. And I had the honor and privilege to attend that ceremony at Eastern Michigan just recently.

Mr. McBride has been nominated by President Bush for Assistant Secretary for Commerce for Trade and Development. As you indicated, that's an outstanding, key position in our nation today, getting prepared for the 21st century.

Mr. McBride has been Special Assistant to the President for a number of years but, actually, he served with two Presidents in his young days.

With Mr. Bush since 1985, he has traveled, I understand, almost 800,000 miles—close to a million miles—throughout the world meeting with key leaders and has an array of personal contacts all over the world, which I think is key to this particular position.

His background also in the private sector is with the business community in Florida as a consultant for start-up businesses and young entrepreneurs. And I think that would be especially impor-

tant in Eastern Europe in helping countries like Poland and the like, who need opportunities for joint ventures.

He also served as a financial manager on tax issues for individual persons in the Florida area during his time with the private sector.

He holds a bachelor's degree from my school, Eastern Michigan University, and was, as I mentioned, recently awarded the Young Alumnus Award, in 1990.

Mr. McBride has a long, outstanding record of public service with two Presidents and the State of Michigan, all of us in the Michigan Congressional Delegation are honored to have a talented citizen and leader to be nominated by President Bush.

And I am personally honored this morning to present him to you and to your Senate colleagues.

Thank you very much.

The CHAIRMAN. Thank you very much, Congressman Pursell. Any time we have a member of the House Appropriations Committee here, we feel we have, apart from anything else, a very important witness.

I once served for a period of time on that committee myself, as you know. And it seems like it was in ancient times that was so.

Your presence today I think adds very important meaning to this nomination and the fact that you feel so strongly and have expressed these comments has a real impact on me and on the committee.

So I appreciate your taking the time to come over and to do so personally. I think it's very helpful to us.

I want to also indicate at this time that we have received a very fine letter from Congressman William D. Ford, as well, that strongly supports this nomination and attests to Mr. McBride's high standing in the District and the community, and speaks to other very fine qualities that he has exhibited and which are widely appreciated across the community and the political spectrum.

I would ask unanimous consent that that letter from Congressman Ford be made a part of the record.

WILLIAM D. FORD
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SUBCOMMITTEES
POSTSECONDARY EDUCATION
ELEMENTARY, SECONDARY AND
VOCATIONAL EDUCATION
LABOR-MANAGEMENT RELATIONS
HEALTH AND SAFETY

July 11, 1990

The Honorable Donald Riegle
United States Senate
105 Dirksen Senate Office Building
Washington, D.C. 20510-6075

Dear Don:

I regret that I am unable to introduce Timothy J. McBride, a native of my Congressional District, at his confirmation hearing to be Assistant Secretary of Commerce for Trade Development on Friday, July 13.

Tim graduated from the Wayne, Michigan public schools. He then graduated from Eastern Michigan University in Ypsilanti, Michigan, where he was recently honored by his alma mater with their Distinguished Alumnus Award.

He grew up in the very shadow of the domestic automobile business and has seen first hand the dramatic changes in this basic industry because of the extensive changes in our global economy. I am confident he will bring to his new assignment a special awareness of the need for aggressive international trade development to bring greater equity to our American work force.

Tim McBride is well known to the business, commerce, labor and education leaders in my District and they speak highly of his professional abilities and his knack for getting along with people. He has kept in regular contact with a number of them as he has carried out his special responsibilities for the President during the last five years. Many have noted his eagerness to learn more about the matters which will be under his direction as he has prepared for this new and challenging task and I applaud his energy and dedication to all of the responsibilities leading up to this nomination. Tim has displayed a fine flair for working with both the Executive and Legislative branches of government and various staff offices at both ends of Pennsylvania Avenue.

I share the pride of Tim's family and friends with this pending nomination. His confirmation by your committee and the Full Senate will be in the best traditions of recruiting fresh, new talent for government with an accompanying degree of experience and seasoning at the highest levels of government.

With kind regards, I am

Sincerely yours,

WILLIAM D. FORD
Member of Congress

The CHAIRMAN. In addition, I've received a very fine statement from Alan Simpson, the Whip on the Minority side here in the Senate, who also speaks in glowing terms of you, Mr. McBride. And we will make that letter also a part of the record at this time.

STATEMENT OF SENATOR ALAN K. SIMPSON
FOR CONFIRMATION HEARING FOR TIM MCBRIDE
SENATE BANKING COMMITTEE, DON RIEGLE, CHAIRMAN
Friday, July 13, 1990

Mr. Chairman. I have had several scheduling conflicts on this day, but I must be necessarily absent to meet a personal commitment made many months ago which takes me out of the City of Washington. My principle regret of that scheduling difficulty is that I will not be there personally to introduce a most remarkable young man to you. Mr. Tim McBride has been nominated by our fine President to become the Assistant Secretary of Commerce for Trade Development. I would have been greatly honored and deeply pleased to have been right there at his side today. That is impossible.

I am very pleased to provide this statement of my total support for Tim's nomination. This is one special person! I've watched him serve our President in so many capacities and I have always been awed by his extraordinary skills. I found him to be a most talented and gracious individual. He will be a superb choice for this very important slot in the Bush administration.

I have known Tim for several years. I first met him when he was personal assistant to then Vice President, George Bush as I would visit with him at various official and social functions. I've continued to work with him and enjoy his company in his capacity as Special Assistant to the President. He is a most patient and understanding young man -- who always operates -- even in the eye of a hurricane of activity -- with the utmost of grace and precision. He also has a very keen ability to make the transition from the professional setting to a personal one. Whether on the shore of Jackson Lake under the magnificent Teton Mountains or aboard Air Force One or in the oval office or the cabinet room he handles things with an extraordinary

aplomb and steadiness. Perhaps the word tact should be his middle name!

I have come to personally know these marvelous skills and abilities. I know they will continue to serve him well in this new position with the Department of Commerce. He will do whatever job is requested of him and he will be creative in crafting "his own place" in the Department. He is an extremely bright and intelligent individual. I have marveled to observe him working under real pressure and he constantly remains diplomatic, personable and completely flexible -- and he will even listen with attentiveness to some of my finest stories!

Chairman Riegle, Jake Garn and members of the Committee, here is one very fine person. Thank you for the special opportunity to offer my unqualified support for the nomination of Tim McBride to be the Assistant Secretary of Commerce for Trade Development. I do so without any hesitation or any reservation whatsoever. He is a delightful gentleman. Our Fine President George Bush is going to greatly miss this fine young man. Our country will be the beneficiary as we place him in this post so that he can continue his extraordinary service to this country. He will do it well. As in everything he has done in his life -- he will make us all very proud.

I would urge that he be given the strongest and most earnest consideration for confirmation to this post. Please contact me if I can furnish any more information concerning this outstanding individual.

Congressman PURSELL. Mr. Chairman, I wonder if I might be excused. I have also an honor of recommending to the Senate today Barbara Bryant, the new Census Director, who is from Ann Arbor, Michigan. She is scheduled for a presentation here at 10 o'clock. I have the honor of presenting her with Senator Carl Levin, so I have a double honor today.

Senator GRAMM. Why are all these people from Michigan? [Laughter.]

The CHAIRMAN. It's in response to all of that S&L money that was sent to Texas.

Congressman PURSELL. It's very rare that Michigan can put together a threesome here against the State of Texas in these days of reapportionment.

So, thank you, Mr. Chairman.

The CHAIRMAN. Let us excuse you at this time.

Again, we appreciate your coming over.

Mr. McBride, if I may, I'm going to also excuse you for a moment. Well, you can actually remain here. I am going to have Senator Gramm, who must go back to a Budget Summit shortly—he wants to make some introductory comments with reference to another nominee we have this morning.

I'd like him to do that at this time.

Senator Gramm.

OPENING STATEMENT OF SENATOR GRAMM

Senator GRAMM. Mr. Chairman, I'm happy to be here to introduce to our committee my good friend, Bud Schauerte.

Bud is a senior officer of one of the nation's oldest and most respected insurance companies, American General Corporation. He has been actively involved in civic and business matters in Texas for many years.

I think it tells you a lot about Bud that, when the Mayor of Houston decided to set up an employment program, that he asked Bud to take a leave of absence from his company to come and be a leader in that effort.

When our State tried to deal with insurance problems in Texas, he was asked to take a leave of absence to come and help set the State program up.

Senator Bentsen and Senator Dixon have both written letters on Bud's behalf and I think I can be brief and save your time, Mr. Chairman, by simply saying that:

Bud Schauerte is a top man. He's got good skills. And I think he will be an excellent Federal Insurance Administrator. And I think we are fortunate to get people who have his ability, who are willing to give up private income to come into the Government to do the job that needs to be done.

And I strongly support his nomination.

The CHAIRMAN. Thank you very much, Senator Gramm. I think that also is a very important statement on your behalf, Mr. Schauerte, and very helpful to the committee. We have that statement before us.

Let me excuse you for the moment as a witness and we will allow Senator Gramm to go back to the Summit with God's speed and our good wishes.

I might just say for Senator Garn that we have now heard statements of support for Mr. McBride, from Carl Pursell and some others, and we've received in his behalf some others on his behalf and made a part of the record.

Also, Phil Gramm has made introductory comments on behalf of Mr. Schauerte, who is here as well.

Let me ask you if you have any opening comments you want to make at this point before we proceed with Mr. McBride's confirmation hearing.

Senator GARN. Mr. Chairman, I apologize for being late but, as you know, we had a vote on the floor.

In the interest of time, because we are behind schedule, I will just place my statement in the record.

The CHAIRMAN. Very good, Senator Garn. Without objection, it will be made a part of the record.

STATEMENT OF SENATOR GARN

Mr. Chairman, I am pleased to see both these nominees before us this morning. Timothy McBride has been nominated as Assistant Secretary for Trade Development at the Department of Commerce. Certainly export promotion is a critical area at this point in time, in light of the incredible changes that have been occurring in the last year around the globe. I endorse Mr. McBride's nomination and hope that the committee can vote on his nomination quickly.

Bud Schauerte is the President's nominee for Federal Insurance Commissioner at FEMA. Mr. Schauerte brings with him decades of experience in the insurance industry and a familiarity with the legislative process. 1989 saw natural disasters on both coasts of the United States, and FEMA was challenged to meet the needs of the communities hit hardest by a hurricane and an earthquake. I wish Mr. Schauerte the best in rising to meet the responsibility in his new job, and I urge the committee to act on this nomination swiftly as well.

The CHAIRMAN. Mr. Schauerte, I think what I will do probably is just ask you to go back to the other seat. We'll deal first with Mr. McBride, and then we'll call you up in due course.

Mr. McBride, let me ask you to stand and raise your right hand.

[Witness sworn.]

The CHAIRMAN. Let me invite you now to make any opening comment to the committee you might wish to make. Feel free to introduce anybody that might be accompanying you, members of your family.

STATEMENT OF TIMOTHY J. McBRIDE, OF MICHIGAN, TO BE ASSISTANT SECRETARY OF COMMERCE FOR TRADE DEVELOPMENT, VICE MICHAEL PHILIP SKARZYNSKI

Mr. MCBRIDE. Thank you, Mr. Chairman.

First, I want to thank Congressman Pursell for his appearance before the committee today and for his kind words.

I'd also like to thank Senator Simpson and Congressman Ford for their kind words and letters to the Chairman.

Mr. Chairman, members of the committee, it is a great privilege to appear before you today as President Bush's nominee for Assistant Secretary of Commerce for Trade Development. I am honored by the confidence the President and Secretary Mosbacher have placed in me. I believe my service within the executive branch has given me a unique understanding of the importance of the executive and legislative branch's cooperating fully in all areas related to the United States Trade Policy.

President Bush has made clear his goals of opening world markets and increasing U.S. exports; the emergence of new democracies in Eastern Europe and Latin America has created new opportunities and new challenges for American business and industry.

As old trade barriers disappear and as markets liberalize around the globe, we must be ready to respond to the challenges of this new environment.

If reported favorably by this committee and confirmed by the Senate, I will work faithfully and tirelessly with you and the Congress to promote American exports abroad and create fresh initiatives for U.S. industry.

Mr. Chairman, I want to especially thank you for convening this hearing in such a timely manner today. I would be pleased to answer any questions you may have at this time.

The CHAIRMAN. Very good.

I think I would like you to indicate for the record, give us a sense of what you consider to be your own relevant background that really prepares you for this assignment, as you would see it.

Mr. MCBRIDE. In addition to having received an undergraduate Business Degree from Eastern Michigan University, for the last 5 years I have been working in the executive branch in a position of trust and confidence very close to President Bush, and prior to that Vice President Bush. This has prepared me for and given me a unique understanding of the importance of the Congress and the executive branch working together in all areas related to trade policy.

In addition, I believe I've gained a working knowledge and understanding of the inter-agency process. I've come to feel very strongly the President's deep commitment to the importance of U.S. trade and opening foreign markets to U.S. trade and increasing our exports.

The CHAIRMAN. Let me just at this point ask Senator Dixon if he has any comments he wants to make.

Senator DIXON. I really don't, Mr. Chairman. I have a statement I would like to place in the record.

I'm glad to see Timothy John McBride here, and I want to say that Clemence Martin Bud Schauerte, the Federal Insurance Administrator of the Federal Emergency Management Agency, is from Belleville, Illinois, across the river from St. Louis, 45,000 good and hearty souls in Belleville, Illinois. So, he's obviously well-qualified. [Laughter.]

STATEMENT OF SENATOR ALAN J. DIXON

Mr. Chairman, I am pleased to be here this morning as the Senate Banking Committee considers the nominations of Timothy John McBride to be an Assistant Secretary of Commerce and Clemence Martin ["Bud"] Schauerte to be Federal Insurance Administrator of the Federal Emergency Management Agency [FEMA].

I am please to note that Mr. Schauerte is a native of my hometown, Belleville, IL, and that he was the valedictorian of Cathedral High School in Belleville. Mr. Schauerte also has some solid experience with insurance matters, which should serve him well at FEMA.

I will be eager to hear from Mr. McBride about his qualifications for his nominated position. Trade development is a critical area for our Nation's future. I am sure that President Bush would want only an aggressive, creative, knowledgeable person to be Assistant Secretary for Trade Development.

The CHAIRMAN. We'll make your statement part of the record.

Mr. McBride, as you look at world markets and the strengths of the American economy, what do you think are the areas with the greatest export potential to the United States?

Mr. MCBRIDE. I see continued potential, not only in Japan, because we need to improve opening the United States markets in Japan and increasing exports to Japan.

In addition, there are great opportunities for United States exports in Eastern Europe, given the new democracies there. The President has also made very clear his desire not to neglect the markets of Latin America. I see that as a great opportunity for U.S. business.

The CHAIRMAN. Do you have any sense as to what some of the areas within our economy, some of the kinds of things that maybe offer the greatest potential for us in those markets?

Mr. MCBRIDE. Certainly, particularly we've begun to work within Trade Development in the area of automotive trade. Specifically, there have been new initiatives which we hope will increase the exports and level the playing field with Japan in the area of auto parts. Given some of the MOSS talks as well as the MITI-Commerce dialogue, this is an area in which we can see some improvements.

The CHAIRMAN. Last year, during assistant Susan Schwab's nomination hearing, she revealed the United States had no foreign commercial officers in the U.S. Mission to the European Community in Brussells. In fact, nobody at all from the Commerce Department was stationed at that Mission.

With Europe 1992 coming down the track like a freight train, that seems like a stunning omission.

She has told me that Secretary Mosbacher had written to Secretary Baker to get permission to send several commerce officers to our Mission to the EC.

Do you know if that permission has been granted?

Mr. MCBRIDE. I do not know that, sir.

The CHAIRMAN. Do you have any knowledge about this problem?

Mr. MCBRIDE. No, sir, I'm not familiar with it.

The CHAIRMAN. Do you have a reaction to what I just said?

Mr. McBRIDE. I agree that the EC is an incredibly important market. It will become our largest trading partner. I'll do all I can in the area of Trade Development, if reported by the committee and confirmed by the Senate, to see that we are in a position to take advantage of that market.

The CHAIRMAN. I think we really need to accelerate in this area, getting commercial officers stationed in these key places, so they are really out there and in front of the wave.

And I think it's important, so I appreciate the fact that you say that you'll get your shoulder to that wheel. And I'll expect you to do so.

Some observers claim that the Japanese system gives their industries a significant competitive advantage in Japan's domestic economy and also strengthens the ability of Japanese industry to compete internationally.

I'm wondering if you share these views and how do you think our Government should try to deal with that kind of structural advantage that they seem to have in their system?

Mr. McBRIDE. The recent structural impediments initiatives talks begin to address some of the differences, the cultural differences, between Japan and the United States. Those and the MOSS talks at various levels, including high-level MOSS talks, help to address some of the various structural and cultural differences between the United States and Japan.

The CHAIRMAN. How are we doing? Are we getting any results? If so, what are they?

Mr. McBRIDE. I think we are beginning to see improvement. As I indicated earlier, there were increased levels of talks, not only the MOSS talks related to auto parts, but also the structural impediments initiatives, as well as the recent MITI/Department of Commerce dialogue, which, again, is aimed at gaining a greater understanding of the Japanese market in order to help U.S. business.

The CHAIRMAN. Let me ask you for the record. I want you to take a closer look at how those talks and activities are unfolding with respect to the structural impediments in Japan.

And I'd like you to give me a more detailed answer for the record. And I will read it, so it's not a casual request. It's a very important and specific request.

Mr. McBRIDE. Yes, Mr. Chairman.

[The following information was subsequently submitted for the record:]

32-822 0 - 90 - 2

JUL 18 1990

Mr. Timothy J. McBride
501 Slaters Lane #122
Alexandria, VA 22314

Honorable Donald W. Reigle, Jr.
Chairman, Committee on Banking,
Housing, and Urban Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

I very much appreciated the opportunity to appear before the Senate Committee on Banking, Housing, and Urban Affairs last Friday. I am especially grateful to you for conducting the hearing in such a timely manner.

During my testimony, I indicated that I would respond in writing to your question regarding Department of Commerce efforts to increase access to the Japanese market for U.S. firms. I am pleased to enclose my response.

Sincerely,

Timothy J. McBride

Timothy J. McBride

Enclosure

QUESTION: What is the Department of Commerce (DOC) doing to increase access of U.S. firms to the Japanese market?

ANSWER: To increase penetration of U.S. goods and services in the Japanese market, the DOC has been pursuing several different strategies. These include: the Structural Impediments Initiative (SII); Market Oriented Sector Selective (MOSS) talks on automotive parts and medical/pharmaceutical products; Super 301 negotiations regarding satellites, supercomputers, and wood products; telecommunications trade negotiations under Section 1377 of the 1988 Trade Act; sanctions under the U.S.-Japan Semiconductor Arrangement; the Japan Export Promotion Program; and the DOC-MITI Dialogue. Together, these varied initiatives comprise a concerted effort to attack barriers to U.S. products, and improve the ability of U.S. firms to compete, in the Japanese marketplace.

Following the July 1989 announcement of the Structural Impediments Initiative by President Bush and then-Prime Minister Uno of Japan, the DOC participated in intensive discussions with the Japanese Government aimed at reducing structural barriers in our respective economies, improving the environment for trade, and thereby reducing the bilateral trade imbalance. The SII Final Report, issued on June 28, 1990, commits both countries to undertake numerous reforms to remove structural impediments. To ensure that the changes are implemented, the Department has agreed to hold follow-up meetings three times over the next year and twice a year thereafter.

The Department is also pursuing market access under the purview of the MOSS framework. Commerce recently participated in ongoing automotive parts MOSS talks with the Japanese government in Louisville, Kentucky, aimed at gaining greater access for U.S. auto parts suppliers to the Japanese automotive market world-wide. The United States reached agreement with Japan to develop and implement a Market-Oriented Cooperation Plan (MOCP). MOCP provides a comprehensive framework to incorporate existing and proposed business expansion activities and introduces new initiatives to assess the openness of the Japanese market and a mechanism to measure the progress toward increased access. Under the MOCP/MOSS framework, our future discussions will move into a broader range of automotive issues. In the MOSS Medical/Pharmaceutical area, the Department concluded the fifth follow-up talks in May and is continuing to address regulatory and other barriers in this sector.

Under the Super 301 provisions of the Omnibus Trade and Competitiveness Act of 1988, the United States successfully concluded market access talks this past spring in three sectors: satellites, supercomputers, and forest products. In the satellite arrangement, Japan established a policy of implementing open, transparent, and nondiscriminatory procurement procedures for satellites other than R&D satellites. This arrangement is a milestone in that for years the Japanese have considered their restrictive space development policies untouchable. The new supercomputer agreement addresses U.S. concerns about pricing and discriminatory technical specifications and includes a new complaint procedures section. The wide-ranging forest products agreement is expected to result in increased wood products exports to Japan in the range of $1 billion or more annually.

Under the provisions of Section 1377 of the 1988 Trade Act, the Administration is required to review telecommunications agreements with other nations to determine whether U.S. firms are accorded "mutually advantageous market opportunities." Based on an agreement in principle on two outstanding telecommunications issues, the United States Government is engaged in special 120-day negotiations with Japan to resolve technical details. In the semiconductor arena, further U.S.-Japan semiconductor trade consultations under the U.S.-Japan Semiconductor Arrangement are expected to be held in August or September. Because the foreign share of the Japanese semiconductor market is still considerably below the semiconductor industry's anticipated share, sanctions imposed under the agreement remain on certain Japanese imports.

As part of the Japan Export Promotion Program, the Department of Commerce is actively pursuing commercial opportunities for U.S. firms in exporting American goods and services utilizing Japanese foreign aid (ODA--Official Development Assistance). ITA is currently collecting commercial information about Japanese untied aid and disseminating it to U.S. firms. The Department is also tracking this information to determine the level of interest of U.S. firms in ODA-funded projects and their degree of success in pursuing these opportunities.

The Department of Commerce recently concluded a trade promotion agreement with the Ministry of International Trade and Industry (MITI) that focuses on coordinating our mutual trade promotion activities and objectives. This will allow us to utilize MITI's significant human and fiscal resources to increase U.S. exports to Japan as well as influence their import promotion activities vis-a-vis U.S. exports. The Department continues to offer a wide array of export assistance services for Japan to all U.S. companies. These export activities include the Agent/Distributor Service (ADS), World Traders Data Report (WTDR), and Foreign Buyer Program (FBP), among others.

Department of Commerce industry specialists held discussions in May in Tokyo with their counterparts in MITI. The meetings, known as the DOC-MITI Dialogue, were an opportunity for participants to exchange information and views on current and future developments for each country's industry in structure, production, employment, training, and technology. This information has been highly useful to the Department and to industry representatives as related to them through numerous briefings and other fora. The next round of meetings is expected to be held in late fall in Washington.

The CHAIRMAN. Clyde Pressler, who is a senior advisor to former Secretary of Commerce, Malcolm Baldrige, wrote a much-acclaimed book called "Trading Places." And it deals with how we are allowing Japan to take over economic leadership.

In that book, Mr. Pressler said that we need to develop career patterns in our important trade agencies just as we have done in the Armed Services.

He states, quote:

> The political appointees who now mostly fill the upper levels of the Government agencies should be limited in number in order to develop and retain skilled professionals who would provide continuity and institutional memory.

I'm wondering what you think of that proposal.

Mr. MCBRIDE. In a very few days of preparation for this hearing, I've been in contact with many career employees within Trade Development and the Department of Commerce, and have been impressed by the caliber of the career employees.

I do believe that I, certainly depending on the institutional knowledge of the fine career people, will make this a very strong agency.

The CHAIRMAN. Let me tell you what my interest is in raising that. It isn't so much as to try to sort of get you to decide that point. But, to put the thought in your mind and ask you to start to think about it.

You're going to have an important opportunity. It's not just an opportunity to work issue by issue the issues that come at you each day. I think it's to bring some fresh perspective to the question:

How do we gear ourselves for the long pull to this new global economy? And how do we get a structure in place and a team in place that has the strength and the muscle over time to really turn this trade picture around?

And so I think it's very important that you see the strategic requirements of this job in terms of conceptualizing and helping to build a way in which our government and our nation have more strength to support its efforts in terms of international trade that is positive for us, knocking down barriers, promoting our exports, and so forth.

So I'd like to say to you that I hope that concepts like these will be ones that you will take some time to think about and look at, so that we don't just get caught up in day to day tactics, which can overwhelm all of us wherever we happen to be.

But, also to be able to think about how we gear ourselves here with maybe some new career patterns, organizational structure, what-have-you, that can really give us a greater strength than we presently have.

So I raise that not on personal terms except in the sense that I want you to see that as a part of I think your job responsibility. And I would like to be able to get back with you as time goes on as to what your thoughts are on that.

Mr. MCBRIDE. I look forward to staying in close contact, Mr. Chairman.

The CHAIRMAN. Senator Garn?

Senator GARN. Thank you, Mr. Chairman.

I have no questions of Mr. McBride. I think he's well-qualified, looking at his background. Other than coming from Michigan, I think he'll probably do a very good job. [Laughter.]

Mr. MCBRIDE. Thank you, sir.

Senator GARN. I fully intend to support you. That really was not directed at you. That was much more, as I'm sure you can tell, directed at the Chairman. [Laughter.]

The CHAIRMAN. Let me just say also for the record that almost all of the policy jobs at Commerce are held by political appointments. That's pretty much from the Deputy Assistant Secretaries on up. That's part of our system.

And it's fine to have a good, healthy component of that in our Government, but I think, in this trade area, where other nations see it as the life blood of their economic future, and where they have great institutional strength, we have to build a kind of enduring institutional strength that does not change with Administrations and roll over and have too great an emphasis and tie-back to just political history and support and background.

So, bringing that excellent Michigan education that you have, State of Michigan education, I think you can put your mind to work on that. And I would ask you to do so.

Mr. MCBRIDE. I will do so, Mr. Chairman.

The CHAIRMAN. We will have some other questions for you, for the record, that we will submit to you. And we ask you to get those back to us on a timely basis.

And we'll move ahead with your nomination at that time.

Senator Garn, if you have nothing else, I think we can excuse this witness.

Mr. MCBRIDE. Thank you very much, Mr. Chairman.

The CHAIRMAN. Mr. Schauerte, let us invite you to come forward now.

Senator GARN. Mr. Chairman, before Mr. Schauerte begins, I would like to ask unanimous consent that the letter of support by Senator Steve Symms of Idaho be placed in the record on Mr. Schauerte's behalf.

The CHAIRMAN. Without objection.

STEVE SYMMS
IDAHO

United States Senate
WASHINGTON, DC 20510

July 13, 1990

The Honorable Jake Garn
Ranking Member
Senate Banking Committee
SD-534
Washington, D.C. 20510

Dear Jake,

During the Banking Committee hearing this morning, you will be considering the nomination of C.M. "Bud" Schauerte to be Federal Insurance Administrator for FEMA.

Having known Bud for many years, I am well aware of his numerous qualifications and believe he is well qualified for this position. I highly recommend him and hope the committee will move expeditiously on his nomination.

Sincerely,

Steve

Steve Symms
United States Senate

SS:alp

The CHAIRMAN. This morning, we are also considering the nomination of Clemence "Bud" Schauerte as Administrator of the Federal Insurance. The Federal Insurance Administrator plays a critical role as part of the Federal Emergency Management Agency, known as FEMA.

This Federal Emergency Management Agency coordinates disaster relief efforts in both peace and war. The most recent examples of the agency's efforts were seen in its own disaster relief efforts following Hurricane Hugo in the Southeastern United States, and the Lomo Prieto earthquake in San Francisco.

The Federal Insurance Agency, which Mr. Schauerte is nominated to head, is responsible for two major programs, that being Flood Insurance and Federal Crime Insurance.

According to the FEMA Agency, 68 percent of the U.S. population can at any time be affected by flood. The National Flood Insurance Program was created in 1968 to enable property owners to purchase insurance protection against loss in flooding.

Prior to that time, the public could not buy flood insurance through private companies due to the high risks involved. Today, there are approximately 2.1 million policies in force, providing over $170 billion in coverage.

The Federal Crime Insurance Program, created in 1971, authorizes the Federal Government to sell crime insurance at affordable rates. Currently, there are over 25,000 crime insurance policies nationwide. The program is intended to protect residents and business owners from the impact of serious crime losses in areas where there is a critical problem of availability and affordability of crime insurance.

The Federal Insurance Administration plays a critical role in reducing the Federal Government's cost of direct disaster relief. Its administrator is responsible for overseeing the operation of these insurance programs which are so important to our citizens in these hours of particular need.

So we look forward to hearing Mr. Schauerte explain his reasons for wanting to head the Federal Insurance Administration and what his plans are for the agency.

With that, Senator Garn, if you have no further comments, we can swear the witness. And we'll proceed.

[Witness sworn.]

The CHAIRMAN. Let us welcome you. Already, in a sense, you've been acknowledged by the very fine comments of Senator Gramm, who was here earlier, and a letter from Senator Symms that Senator Garn has inserted in the record.

I know you enjoy the support of others as well. That's been communicated to me. But, let me invite you now to make any comments you want to make at this time.

STATEMENT OF C. M. SCHAUERTE, OF TEXAS, TO BE FEDERAL INSURANCE ADMINISTRATOR, FEDERAL EMERGENCY MANAGEMENT AGENCY, VICE HAROLD T. DURYEE, RESIGNED

Mr. SCHAUERTE. Thank you, Senator. I do have a very brief comment to make.

My name is Bud Schauerte. As you know, I've been nominated by the President to become the Federal Insurance Administrator. I'm honored by the nomination and am confident that, if confirmed, I will perform in a manner that will justify the confidence placed in me, not only by the President but the members of this committee and the entire Senate.

I would like to express my personal thanks to Senator Gramm, my Senator from Texas, for his very kind words, and for the letter from Senator Symms.

And, of course, from my friend, Senator Alan Dixon, with whom I share the same hometown, Belleville, Illinois. I'd like to comment that I knew Alan in Belleville, but our families were especially close. That's how I really got a chance to know the Senator.

After more than 18 years in the employ of one of the nation's largest insurers and representing their interests before regulatory and legislative bodies, and also one who has for many years held a property and casualty insurance license, I believe I can bring to this assignment a solid grounding in the business function of insurance underwriting and a sensitivity to your constituencies and others who suffer financial losses as a result of natural disasters.

I have an understanding and an appreciation of the regulatory and legislative functions involved in the National Flood Insurance Program, which constitutes the major thrust and mission of the Federal Insurance Administration. I fully intend to administer and enforce all the laws and regulations relating to the National Flood Insurance Program, and others which might be enacted.

After more than 20 years of existence, the National Flood Insurance Program is a mature and a maturing program, which I believe has lived up to its goals and expectations mandated by the legislation which created it.

What is more, it is my understanding that it has proven its financial viability and reduced, if not totally eliminated, serious taxpayer exposure to property losses resulting from floods.

Indeed, I have learned that there exists a healthy reserve in the program to be used for potential future losses.

On a more personal note, I'd like to say this.

I am 61 years old. I have 4 children—4 adult children. I have 5 grandchildren and hoping for more.

I view this as an opportunity to serve the Federal Government and a President whom I greatly admire at a time during which I can make a contribution to my country and leave a legacy of service to my descendants.

I have absolutely no aspirations for running for political office.

Senator GARN. Smart man. [Laughter.]

Mr. SCHAUERTE. Nor do I intend to seek any higher appointment. My single goal is to perform with excellence as the Federal Insurance Administrator.

I look forward to working with this committee and other members of Congress, the Bush administration, and the leadership of FEMA.

If confirmed, I intend to seek your advice and counsel and become ever-conscientious about your needs and concerns.

That does conclude my statement.

I would be pleased to answer any questions.

The CHAIRMAN. Let me just say I appreciate very much your opening comments. In particular, your personal statement that you've just completed.

We have the opportunity here in this committee to see a great number of nominees who come before us, but I don't recall right off-hand a statement that I think conveys as clearly and as genuinely as you just have done your interest in wanting to give the country a period of public service at a senior point in your life, when your experience presumably can be very valuable in doing that work.

I appreciate the fact that you have no other agenda but to do this job and do it as well as you can.

I appreciate that statement of intent and purpose.

I want to also acknowledge Senator Dixon's strong support for you and your common bond going back to Belleville.

We have great admiration for Senator Dixon on this committee, so we know there is something in the air or water in that part of the country that gives us outstanding people. We see you very much in that frame of reference.

Let me just ask you, you've had a serious enough history in the insurance business generally. I'm sure you've got a lot of sense on how you're doing that.

I just want to ask you, aside from more specific questions.

I'm reading more and more stories about how you might have some financial problems building up in the insurance industry in the country. We don't regulate the insurance industry at the Federal level, as you know. This is one of the industries that is regulated at the State level, State by State. So we don't have a ready way of accumulating any information of the aggregate financial status of insurance companies across the country, in one Federal composite, if you will.

But, more and more, I'm seeing stories, particularly in some parts of the country, where some of the erosion and asset values of real estate and other things, which have caused great difficulty in the savings and loan industry and great difficulty in the banking industry and other areas, and junk bond holdings and other things may be having a similar but less obvious kind of an impact in a substantial part of the insurance industry in the country.

And I'd like to ask you based on your knowledge to be as direct as you can in giving me an assessment of what you think any risk additions may be and how serious they might be that you see out there in any or all of the insurance industry in this country.

Mr. SCHAUERTE. I'll be pleased to comment upon that. It's a subject which insurance men nationwide address themselves to at any personal meeting or any group meeting.

I don't feel that in any way the problems of the industry compares with those problems that are now being experienced by the S&L industry or others. And let me say why I think they don't.

I think 48 of the 50 States do have what we call Guarantee Funds. I think these guaranteed funds are doing a very good job.

Yes, there are some insurance companies who are having some problems, as you would expect them to be. I think there's 3,300 property and casualty insurance companies in this country and

some 1,800 life insurance companies. Out of that aggregate, I am sure there are some companies that are having problems.

I can recall several instances. The most predominant, I guess, would be the Mission Insurance Group of California and Texas, who did have some serious problems some years ago. Guaranty Funds did come to their rescue and there wasn't a single dollar of taxpayer money used to bail out that group.

What happens is there are different systems. They have different systems for various companies that might not be part of the guaranty funds. I believe New York has a fund themselves to help companies who have serious problems.

That is not to say that all insurance departments in every State are the same. There are some very large insurance departments, Texas being one of the largest. Illinois, New York, California have large insurance departments and a large number of companies doing business in those States.

I have confidence in the way these funds have been handled. I have confidence in the insurance departments in many of these States. I do not view the insurance industry as having problems which even come near to the problems experienced by the savings and loan industry.

The CHAIRMAN. Let me tighten it down a little bit because the impression I get is, in essence, there's really not any problem. That's the flavor of your answer. That may not be what you intend to convey.

I'm not saying or implying that it's the equivalent of the S&L situation. What I'm asking you is whether or not there are storm clouds out there of a significant size in some parts of the country that reflect some of the same problems that we saw occurring in balance sheets of banks and savings and loans.

I keep reading story after story after story, including in the State of Texas, that there are such problems. If there are not, then I would like to know that as an offset to what I'm reading.

But, I don't want a nice pastel picture painted that, in fact, is at odds with what seems to be the reality out here.

I know you can only give me the impression that you have. I'm asking you to be very frank about any problems you see. And do you see any problems out there?

If so, I would like to know. And, if not, I would like to know that, too.

But I want to know it both as a measure of your observation, but I also want to have it for the record.

Mr. SCHAUERTE. I think there are problems with individual companies. I don't see it as you describe it—storm clouds within the industry. Let me give you an example.

The company that I have worked with, American General, was in the property and casualty insurance business for 65 years. And, in 1988, the company sold that business, sold it internally. The company was in every aspect of the property and casualty business. And it was difficult. It was very difficult. Some lines of insurance were losing serious money.

And that company, that part of the business, was sold off to another firm.

I think those are individual cases. I also see the articles and the things that you have seen about companies who are still selling and doing pretty well.

The CHAIRMAN. Do most insurance companies, their balance sheets, do they mark the market every 30 days, every quarter, every 6 months, once a year on such things as real estate investments, commercial and otherwise?

Mr. SCHAUERTE. I know of course we have two systems of accounting, statutory accounting and GAP accounting. I think the better companies do exactly that.

The CHAIRMAN. They do mark the market?

Mr. SCHAUERTE. As a matter of fact, they keep track of their reserves on a monthly basis and this is a matter of the size of the company, the different types of investments they have, the location.

It depends upon the style of management.

The CHAIRMAN. Let me tell you the impression I have and if it's not correct, I would like you to set me straight.

The impression that I have is that, in large parts of the insurance industry, the accounting system that's used and the way assets are valued and the way liabilities are projected based on the time frame in which payments have to be made for different kinds of claims of one sort and the other, can create problems where you can get an asset mismatched. And in the accounting system itself, you can end up posting values that may, in fact, not be real.

It may have been a good faith estimate at one time and it may even have been the amount of money invested in an asset at one time, but we've had a very serious erosion in real estate values in the United States.

It's certainly obvious in the Southwest and in Texas where it's been so extreme.

Bill Seidman has been in here in the last short period of time to testify that is spreading throughout the country. So, that portion of the balance sheet of major companies, insurance companies in this instance, who would have a major investment in real estate assets, might very well find that they're posting one value up here but today's value may be very substantially below that. And there may not be any net value because it may have gone below the purchase price and may, in fact, be a loss and not an asset, a plus on the balance sheet.

Bridge loans are areas, too, I understand that insurance companies have gotten into in order to finance leveraged buyouts, and so forth.

We know junk bond purchases are underwritten by some. That varies from State to State. But, your testimony to me is that, from your vantage point, as someone who has some real expertise in insurance, you don't see or sense any material balance sheet problems out there in the insurance industry of any significant consequences?

Mr. SCHAUERTE. Let me mention this. You specifically mentioned real estate. Every State that I know of has limitations on the types of investments that insurers are allowed. Real estate happens to be a very small portion of that. As a matter of fact, even the compa-

ny's home offices are considered part of their investment. And, of course, those home offices are occupied.

Particularly in the property and casualty business, insurance departments of the various States require a great deal of liquidity in the event of having to pay off a large number of claims, to have that money available in U.S. Treasury securities, in bonds and in other things which retain their value.

They are certainly not allowed by the statutes to have large holdings in insurance.

The investment regulations are different versus life insurance and property and casualty.

The CHAIRMAN. I'm covering both.

Mr. SCHAUERTE. Life is much longer-term. They can have longer-term bonds. And, in some instances perhaps, a slight bit more real estate holdings; whereas, property and casualty, it's very minimal because, again, it must turn over a claim on a regular basis.

I would dare to say that I have never heard of a single State which allows an insurance company so much freedom as to promote a large number of their assets into real estate.

That's part of the reason that I believe that the insurance companies, generally speaking, have done well. The problems seem to have been, of course, in claims.

You also read, I'm sure, about the workers compensation problems around the nation, and there are serious problems, due somewhat or largely to the escalating cost of health care and health care providers.

There are a large number of lawsuits involved.

Just to go off a little bit, automobile insurance is escalating. I've had people say why? Why is it, Bud? Why is insurance going up and I haven't had an accident?

I've had to explain that you've got to share your risk. In Texas, we are losing 16 cars an hour. Sixteen cars every hour are being lost, stolen, stripped, taken across the border. I imagine other heavily-populated States have similar statistics. But that's what is happening to the claims. That's why the cost has escalated.

Again, it goes back to crime and probably the drug situation.

The CHAIRMAN. I think we've covered that to my satisfaction in terms of getting a response from you on that question. I don't know if Senator Garn wants to get into that subject. Senator Garn is an expert on insurance himself.

Senator GARN. Let's say that, a long time ago, I may have known something about insurance. I was in the insurance business. But, that was before I decided to go into politics.

The industry has changed very dramatically. It's been more than 20 years since I left the insurance business. And it's certainly very different.

So I appreciate the compliment, but it's not justified at this point.

I'd just make a brief point.

As I was looking over your employment record, I noticed that you worked for Louie Welch. I knew Louie very well when he was Mayor of Houston and I was Mayor of Salt Lake City. And I remember one incident.

As you know, Louie Welch was very flamboyant, and still is. He hosted the U.S. Conference of Mayors in Houston. And, one evening, he put on this grand tour down the Houston ship channel. We had a lovely dinner with all the Mayors and their wives, and so on.

He was going on, as only Louie could do, about how wonderful not only Houston was, but Texas, and exaggerating as only Louie can do.

Mr. SCHAUERTE. I don't think that's an exaggeration.

Senator GARN. He was going beyond even the normal Texas claims. And George Sullivan, the Mayor of Anchorage, Alaska at the time, sat there and listened. And, finally, amidst all this group of Mayors from all over the country, he said, "Shut up, Louie."

Louie looked at him and said, "If you don't shut up, we're going to cut Alaska in half and make Texas the third largest State." [Laughter.]

I have fond memories of my relationship with Louie, and I'm sure that your year as administrative assistant was a colorful year for you as well.

Mr. SCHAUERTE. I'll pass your comments on to him.

Senator GARN. Tell him, although I haven't seen him for some time.

Mr. SCHAUERTE. He's doing very well. I see him regularly.

Senator GARN. I have no questions. I welcome your nomination, and I'm sure you'll be quickly confirmed.

The CHAIRMAN. Let me just ask some other questions here, Mr. Schauerte.

Can you indicate for the committee what you hope to accomplish as the Federal Insurance Administrator and what standards you will be using to evaluate the success of the accomplishments of the agency under your stewardship?

Mr. SCHAUERTE. Certainly. The National Flood Insurance Program, which is the dominant part of this agency, is the single most important thing that I'm going to be involved with.

The program has done very well. The reserves have built up nicely in this program. It would be my hope to expand the policy base of the Flood Insurance Program as broadly as you possibly can through many different areas. The Community Rating System might be one of those.

By expanding that policy, it's just a simple insurance principle. The larger matrix of policies you have out there, the more possibilities you have of making the system viable. You get the highest risks and you get the lowest risks. And with the lowest risks, of course, we share all the risks.

My hope is to expand that as much as we possibly can. And, again, to bring efficiencies to the agency.

Let me just say this. My management philosophy probably would be embodied in what I think is a good definition of management, which is the accomplishment of pre-determined objectives through others. And that implies planning. It implies goals. It implies delegation of authority.

Finally, it also says that if you have these goals, it's more important—it's equally important, that is—to monitor the results. You get what you inspect, not what you expect.

My whole thing is that I'm terribly goal-oriented. If I have a goal, if I have an opportunity to do something and it is my responsibility, Senator, it gets done. And I never give up. It does get done.

The CHAIRMAN. I may have a job for you on my staff.

Mr. SCHAUERTE. With respect to whether it is an entire agency or whether it a small group or a volunteer group, the whole idea is to plan, delegate the authority and follow up on the results. And that's what it amounts to. You know where you're going. You know where you are now, where you're going and what resources you have both in personnel, manpower methods, and materials. You have all of those things to achieve it.

Specifically, then, it has to do with the expansion of the program itself and organizing or following up on the current organization. And people knowing what they have to do and when they have to do it.

The CHAIRMAN. Let me say to you that, in 1986, in my home State of Michigan, which you might not normally think of as a flood-ravaged State, 22 counties in the central portion of Michigan's Lower Peninsula were really devastated. We got the worst flooding in our State. It took historians, that are geologic historians, to try to guess what the last time in history would have been that we had floods that severe. We had total losses that were estimated at over $500 million, and that's substantial, especially when it's hitting individual businesses.

And families. We had more than 30,000 home and any number of non-residential structures and public structures damaged at that time.

In the area affected by that flood disaster declaration, there were only 1,800 flood insurance policies. In fact, since 1986, the total number of policies in Michigan has declined by several thousand. So we're seeing that trend line heading the other way.

You've just addressed that as being a principal goal of yours to figure out how to broaden that base and maybe find a way to do a better job of alerting people in higher-risk areas as to what the risk is, and to try to help them foresee it more clearly and get that protection in place.

And by having a broader subscriber base, obviously, hopefully, also maybe bring the rates down for people who need to get the protection, that's obviously the great value of an insurance scheme, that a large group can afford to have the protection at a lower rate than just a small group could otherwise have.

So I'd like to ask you, as you do that, to take a look at Michigan in light of the fact that we have had a recent experience and see what might be done in a place like our State to try to put to work some of your ideas and some of your creativity in getting that coverage more broadly established.

Can I expect that you will do that?

Mr. SCHAUERTE. Yes, sir. I'm familiar with the problems you have had. It's my understanding. I've done a lot of reading in this area, and asked a lot of advice.

Michigan is not alone in this, of course. Yesterday, Ohio had a problem. This last spring, Arkansas. And, Texas, of course. And it's the same problem in a lot of places.

People just don't understand that that flood insurance is the type of thing which is one of the responsibilities as a homeowner. It's one of the joys of being a homeowner—to pay your insurance.

It's so easy for someone to say, "well, I need fire insurance." So, everybody buys fire insurance and various other perils involved in your mortgage policy.

But they haven't got around yet toward stating the need for flood insurance.

The CHAIRMAN. If I may also say, and this may seem like a bit of a stretch here, but I think it's the kind of thing that we have to now start doing, and that is I'm struck by the fact that weather patterns seem to be changing. There's a lot of evidence that would show that.

Agricultural areas that normally would have a certain amount of growing season have seen atypical patterns in the last few years. So, we've seen a lot of unusual shifting around of weather patterns.

I am sure the weather service is monitoring that and is keeping some kind of running baseline data that would help illustrate this. But, I suspect, and just anecdotally, from what I read and follow that we are seeing more and more of these kinds of odd—what are thought to be anomalies, like flooding in Ohio at this time of the year occurring with greater frequency.

And it may well be because we are dealing with new conditions. I'd like to see some effort at some computer modeling or other things that would help identify how these risk profiles may be moving around geographically in areas that, in the past, people logically think were not high-risk areas that may now, in fact, be high-risk areas, can be helped by their Government by just their use of the analysis of information that's available, to see how these profiles might be changing and, therefore, putting them in a different risk situation. So, they are informed. They can then obviously make their own choice and get insurance coverage and sensible people can then opt for it.

I think something needs to be done in that area. And sometimes it's as simple as connecting two or three parts of the Government up together that normally don't think about working together to try to get some sense as to what this newer condition may be that we are dealing with.

But, I don't know if there's even capacity to start to do that within the agency itself. But, let me just put the idea in your head and see what might be done there.

Mr. SCHAUERTE. I don't think there is the capacity. I'm sure there is no capacity toward that aspect of it within the agency. And I'm not too sure if these weather patterns are short-term or long-term phenomena.

Like you, I read that there's a certain 7-year period throughout the millennium. California is undergoing a terrible problem now with their draught situation.

I saw on television this morning about another huge brush fire. I really don't know how that could be. And I'm really not an expert in the computerization of anything, but it's an interesting thought. I just never heard it before.

The CHAIRMAN. I would be interested in knowing, for example, that there are some areas of the country within the last 10 years,

say, that have experienced two or three serious floods which it might not have for the previous 50 years. I mean, there ought to be some ways to start accumulating a profile data that helps us do exactly what you talked about before.

And that is we want to broaden the subscriber base and offer the service to somebody who needs it, may not know who needs it, and we have washed out.

So, let me move to crime insurance. The Federal Crime Insurance Program, as you know, was created in 1971 as a means of protecting residents and businesses from the impact of serious crime losses in areas where there had been a critical problem of availability and affordability of crime insurance.

As you know, in recent years, that program has been controversial. Opponents of the program suggest that it is not a program of national proportions because only 15 States participate in and receive benefits from it.

I'm wondering if you think the Federal Crime Insurance Program should be continued. If so, should we be doing something to see if more States ought to be participating in the program or to encourage their participation?

Mr. SCHAUERTE. Sir, it has been diminishing. It's down to I think 15 States right now. The reason is that the private insurance industry is able to make that coverage available. And some of those policies now are at an irresistibly low level. When you get premiums down to a level that you can buy them less expensively privately than you can from the Federal Government, that's what will happen.

And that's why the Crime Insurance Program will be phasing itself out now. I don't know any reason why you don't do anything for public awareness to expand the program when private industry already has the capacity and the ability and the willingness to sell these products.

I always think that, if you've got a good, old property and casualty insurance agent and you give him a good product to sell, he's going to sell it. And that's one of the big advantages of private insurance being able to go out and contact people and sell the product.

I also read that more than half of the policies are in one State, and certainly much more the claims are made from one State.

So, you are correct in saying that it is not a national program. It may have been at one time. I don't know the whole history of the whole thing, but it's not.

The CHAIRMAN. I'm going to give you some additional questions for the record for myself and for other members of the committee.

Let me say that I appreciate the fact that you are willing to come forward and serve. It is never easy. This is a difficult assignment and it's always a major dislocation for people to undertake these jobs in the public sector.

But, I appreciate the statement that you made about the fact you feel that you have reached a point in your life where you're in a position to make a contribution to public service. And its importance to your family, and every family, that you bring the kinds of talents that you represent in to do the public's work. I very much appreciate that. And I admire your willingness to do that.

There may be times when you're old enough and sad enough to know where it may seem awfully frustrating and you're getting an elbow in the eye or something else from somebody that thinks you're invading their turf, or somebody that writes an unflattering story about what you've done or not done or what-have-you.

But, the fact that you're willing to step up to the plate with your eyes open at 61 years old and do some important work for the country is much appreciated by me as a citizen, as well as a member of this committee.

Mr. SCHAUERTE. Thank you, Mr. Chairman. I appreciate that.

The CHAIRMAN. With that, the committee stands in recess, and we'll move forward on these nominations as quickly as we can.

[Whereupon, at 11:00 a.m., the committee was adjourned, to reconvene subject to the call of the Chair.]

[Response to written questions and biographical sketches of nominees follow:]

RESPONSE TO WRITTEN QUESTIONS OF SENATOR RIEGLE FROM
TIMOTHY McBRIDE

QUESTION 1: You will, if confirmed as Assistant Secretary for Trade Development, have responsibilities for monitoring foreign investment in our country. Because of our massive trade and current account deficits and our low savings rate as a nation, we are going to be more dependent on foreign investment in the next decade. Much of this new foreign investment will be from Japan.

In his recent book entitled Trading Places, Mr. Clyde Prestowitz, who was a senior advisor to former Secretary of Commerce Malcolm Baldridge, suggests that we should develop guidelines for investment. He states:

> If we know certain industries and technologies are critical to us, it would be prudent to guide Japanese investment in those areas in such a way as to enhance and not lose our capabilities--for instance in some areas joint ventures rather than wholly-owned operations should be encouraged.

Do you agree with that proposal?

ANSWER: I am not convinced that the U.S. government can enhance U.S. technology by restrictions on foreign investment.

The Administration's long-standing policy on international investment is to promote open competitive conditions conducive to the free international flow of capital seeking its highest return. With few exceptions, U.S. policy grants national treatment to foreign investors just as we seek national treatment abroad for U.S. investors.

National security concerns are best addressed through the Exon-Florio review process and other existing laws, and not by arbitrary restrictions on the level of foreign ownership in a particular company or industry. Innovation and technology transfer are dynamic conditions. There is no guarantee that the placement of restrictions on levels of foreign ownership in U.S. high-technology companies will assist U.S. companies in inventing or assimilating new technology. On the contrary, such restrictions may have the opposite effect by discouraging foreign companies from transferring their latest technologies to the United States if they cannot retain some control over their assets. The U.S. Government should continue to provide fair, equitable, and non-discriminatory treatment of foreign direct investment, which produces significant benefits to our economy.

(Previously Submitted Question 2)

QUESTION: What is the Department of Commerce (DOC) doing to increase access of U.S. firms to the Japanese market?

ANSWER: To increase penetration of U.S. goods and services in the Japanese market, the DOC has been pursuing several different strategies. These include: the Structural Impediments Initiative (SII); Market Oriented Sector Selective (MOSS) talks on automotive parts and medical/pharmaceutical products; Super 301 negotiations regarding satellites, supercomputers, and wood products; telecommunications trade negotiations under Section 1377 of the 1988 Trade Act; sanctions under the U.S.-Japan Semiconductor Arrangement; the Japan Export Promotion Program; and the DOC-MITI Dialogue. Together, these varied initiatives comprise a concerted effort to attack barriers to U.S. products, and improve the ability of U.S. firms to compete, in the Japanese marketplace.

Following the July 1989 announcement of the Structural Impediments Initiative by President Bush and then-Prime Minister Uno of Japan, the DOC participated in intensive discussions with the Japanese Government aimed at reducing structural barriers in our respective economies, improving the environment for trade, and thereby reducing the bilateral trade imbalance. The SII Final Report, issued on June 28, 1990, commits both countries to undertake numerous reforms to remove structural impediments. To ensure that the changes are implemented, the Department has agreed to hold follow-up meetings three times over the next year and twice a year thereafter.

The Department is also pursuing market access under the purview of the MOSS framework. Commerce recently participated in ongoing automotive parts MOSS talks with the Japanese government in Louisville, Kentucky, aimed at gaining greater access for U.S. auto parts suppliers to the Japanese automotive market world-wide. The United States reached agreement with Japan to develop and implement a Market-Oriented Cooperation Plan (MOCP). MOCP provides a comprehensive framework to incorporate existing and proposed business expansion activities and introduces new initiatives to assess the openness of the Japanese market and a mechanism to measure the progress toward increased access. Under the MOCP/MOSS framework, our future discussions will move into a broader range of automotive issues. In the MOSS Medical/Pharmaceutical area, the Department concluded the fifth follow-up talks in May and is continuing to address regulatory and other barriers in this sector.

Under the Super 301 provisions of the Omnibus Trade and Competitiveness Act of 1988, the United States successfully concluded market access talks this past spring in three sectors: satellites, supercomputers, and forest products. In the satellite arrangement, Japan established a policy of implementing open, transparent, and nondiscriminatory procurement procedures for satellites other than R&D satellites. This arrangement is a milestone in that for years the Japanese have considered their restrictive space development policies untouchable. The new supercomputer agreement addresses U.S. concerns about pricing and discriminatory technical specifications and includes a new complaint procedures section. The wide-ranging forest products agreement is expected to result in increased wood products exports to Japan in the range of $1 billion or more annually.

Under the provisions of Section 1377 of the 1988 Trade Act, the Administration is required to review telecommunications agreements with other nations to determine whether U.S. firms are accorded "mutually advantageous market opportunities." Based on an agreement in principle on two outstanding telecommunications issues, the United States Government is engaged in special 120-day negotiations with Japan to resolve technical details. In the semiconductor arena, further U.S.-Japan semiconductor trade consultations under the U.S.-Japan Semiconductor Arrangement are expected to be held in August or September. Because the foreign share of the Japanese semiconductor market is still considerably below the semiconductor industry's anticipated share, sanctions imposed under the agreement remain on certain Japanese imports.

As part of the Japan Export Promotion Program, the Department of Commerce is actively pursuing commercial opportunities for U.S. firms in exporting American goods and services utilizing Japanese foreign aid (ODA--Official Development Assistance). ITA is currently collecting commercial information about Japanese untied aid and disseminating it to U.S. firms. The Department is also tracking this information to determine the level of interest of U.S. firms in ODA-funded projects and their degree of success in pursuing these opportunities.

The Department of Commerce recently concluded a trade promotion agreement with the Ministry of International Trade and Industry (MITI) that focuses on coordinating our mutual trade promotion activities and objectives. This will allow us to utilize MITI's significant human and fiscal resources to increase U.S. exports to Japan as well as influence their import promotion activities vis-a-vis U.S. exports. The Department continues to offer a wide array of export assistance services for Japan to all U.S. companies. These export activities include the Agent/Distributor Service (ADS), World Traders Data Report (WTDR), and Foreign Buyer Program (FBP), among others.

Department of Commerce industry specialists held discussions in May in Tokyo with their counterparts in MITI. The meetings, known as the DOC-MITI Dialogue, were an opportunity for participants to exchange information and views on current and future developments for each country's industry in structure, production, employment, training, and technology. This information has been highly useful to the Department and to industry representatives as related to them through numerous briefings and other fora. The next round of meetings is expected to be held in late fall in Washington.

QUESTION 3: According to trade data from the U.S., U.S. exports to Eastern Europe dropped from $2.3 billion in 1980 to $712 million in 1987. This is a very significant decrease in dollar value which has likely resulted in a concomitant decrease in U.S. business contacts in Eastern Europe as well as a deterioration of the general trade infrastructure between Eastern Europe and the United States. You mentioned during your testimony to the Committee that you believe there are great opportunities for U.S. exports in Eastern Europe, given the new democracies there. If confirmed by the Senate as Assistant Secretary of Commerce for Trade Development, how do you plan to help American exporters reestablish themselves in Eastern Europe?

ANSWER: I would like to comment first on the overall dimension of U.S. trade with Eastern Europe. Comparing Eastern European imports of U.S. goods and services during the period 1980 to 1987 is misleading. Eastern European imports financed by hard currency hit a high point in 1980. At about that time, most of these countries experienced heavy debt problems and were forced to slash imports; Poland and Yugoslavia were forced to reschedule their debts, and the others barely avoided taking that path.

Resumption of growth in Eastern European imports from the United States has been hindered by Eastern European debt servicing requirements and Eastern European difficulties in exporting to hard currency areas due to deficiencies in product quality and marketing. Nonetheless, when recent U.S. exports to Eastern Europe are compared with years more reflective of the current situation, exports have actually grown. For example, 1989 U.S. exports to Eastern Europe were more than 40 percent higher than their 1987 level. During the first 5 months of this year, U.S. exports to Eastern Europe reached over $500 million and could well reach $1 billion by year end.

Prospects for exports, joint ventures, cooperation, and other participation in the markets of Eastern Europe are improving dramatically as a result of the measures being taken to restructure and modernize their economies and introduce market-driven trade, investment, tax, and commercial practices. The Administration has responded to these opportunities with a series of initiatives designed to encourage further democratization and enactment of market-based reforms. It is actively implementing the Support for East European Democracies (SEED) Act of 1989, which provides more than $900 million over 3 years for Poland and Hungary. Programs authorized in this legislation include General System of Preferences (GSP) duty-free treatment, Overseas Private Investment Corporation financing and insurance coverage, broad technical assistance, and Enterprise Funds. Congress is now considering a bill that would extend these programs to other countries in the region. In addition to these initiatives, the United States has concluded a business and economic agreement covering investment and commercial practices with Poland and has signed a trade agreement with Czechoslovakia. Investment negotiations are underway with Czechoslovakia and will begin soon with Hungary.

The United States will also play an important role in the newly formed European Bank for Reconstruction and Development (EBRD). The EBRD will have $12 billion in capital, of which 10 percent will come from the United States--the largest contribution from any single country. Virtually all of the EBRD's loans will go to Eastern Europe, with the primary purpose of strengthening the private sector in the economies of the countries there.

The Department of Commerce is actively involved in implementing the Administration's initiatives and assisting U.S. businesses to exploit the growing market opportunities in the region. Because of its sectoral focus, Trade Development is uniquely poised to assist the growing numbers of businessmen interested in exploring these sales and investment possibilities. Trade Development has programs to assist in all facets of approaching the East European market, including establishing offices, licensing, setting up retail establishments, working with experienced trading companies, advertising, establishing joint ventures, and creating new companies. Trade Development is involved in organizing U.S. participation at all of the major trade fairs in Eastern Europe--Leipzig, Budapest, Poznan, Brno, Plovdiv, and Bucharest. The list of companies that have established successful markets for themselves in Eastern Europe includes General Motors (automobile engines), General Electric (lighting products), Westinghouse (air traffic control systems), DuPont (pharmaceuticals), Dow (chemical products), and Hewlett Packard (computers). Many others will soon join the list.

The Commerce Department is pursuing several major efforts to develop the infrastructure necessary for increased business activity in the Eastern European countries. For example, Commerce is organizing accounting seminars to teach managers in Poland and Czechoslovakia how to use Western accounting systems to make business management decisions. The Department is working with the U.S. trucking and other transportation industries on efforts to improve the distribution systems in Eastern European countries. With AID and other agencies, it is working to provide technical assistance requested by the Eastern European countries for development of their financial institutions and insurance sector. Each of these efforts is not only helping develop the infrastructure, but, in the process, is also creating significant opportunities for U.S. firms in these sectors.

Should I be reported by the Committee and confirmed by the Senate, I would want to look into the following areas which have particularly strong export potential: environmental protection equipment; telecommunications; tourism and services; aircaft and aircraft parts; banking, insurance, training, and management consulting; nuclear safety equipment and technology; energy saving equipment; medical equipment; electrical power systems; microcomputers; food processing equipment; and nearly all consumer goods.

The Department's program in telecommunications provides a good example of the assistance it has provided, and will be providing. The Department sent a 16-company telecommunications trade mission to Poland in February, 1990 and an 11-company trade mission to Czechoslovakia and Hungary in June, 1990. It is counseling firms on telecommunications market opportunities in these countries and assisting them to compete for major telecommunications projects. Department of Commerce specialists are preparing written analyses of the markets in these countries and making them available to U.S. telecommunications companies. Telecommunications contracts have been won in Hungary and Czechoslovakia. In addition, the Department is also assisting a private trade fair organizer with telecommunications shows in Poland and Hungary in October 1990. Each of the Trade Development sectors is overseeing similar programs of assistance for companies in its product and service areas. These will enable U.S. companies, large and small, offering a wide range of goods and services, to secure a successful niche in the Eastern European market.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR RIEGLE FROM
C.M. SCHAUERTE

TOPIC: LENDER COMPLIANCE

The Flood Disaster Protection Act of 1973 requires bank and thrift institution regulators to require lenders over whom they have some form of jurisdiction, to determine whether or not the properties that they are providing financial assistance to are located in special flood hazard areas, and, if so, to require that the borrower obtain and maintain flood insurance coverage.

The Federal Insurance Administration estimates that between 8 and 11 million households in the nation are in flood hazard areas. However, currently there are only 2.1 million households who have flood insurance.

What are your suggestions to improving lender compliance -- specifically what can the Federal Insurance Administration, bank regulators, and the Congress do?

ANSWER: There are a number of things that can be done to assist in improving the level of lender compliance with the flood insurance mandatory purchase requirements of the statute. The Federal Insurance Administration (FIA) can explore ways to assist regulators and lenders in their compliance efforts in developing and implementing a Force Placement Program for flood insurance similar to that which is available for hazard insurance in the private sector. FIA could develop ways to provide regulators with mortgagee information that might be available through the National Flood Insurance Program (NFIP), provide necessary technical assistance to regulators to increase their understanding of the NFIP for their compliance efforts, and improve efforts to publicize the availability of flood insurance and the responsibility of the lending community under the Act.

The bank regulators could continue to directly emphasize with the lending community, their flood insurance responsiblities. The regulators could standardize their review procedures and compliance requirements for lenders, and remove unnecessary regulatory or administrative roadblocks that exist and act as an impediment to greater compliance.

The Congress may wish to continue conducting annual oversight efforts on status of the levels of overall flood insurance compliance. There are currently under review a series of legislative proposals aimed at assisting with the flood insurance compliance efforts.

TOPIC: CRIME INSURANCE

The Federal Crime Insurance Program was created in 1971 as a means of protecting resident and businesses from the impact of serious crime losses in areas where there is a critical problem of availability and affordability of crime insurance.

In recent years, the Crime Insurance program has been controversial. Opponents of the program suggest it is not a program of national proportion because only 15 states participate and receive benefits from it.

Do you think the Federal Crime Insurance Program should be continued? Furthermore, should an analysis be undertaken to determine why more states do not participate in the program, and whether changes should be made to encourage their participation?

ANSWER: I do not believe the Federal Crime Insurance program should be continued because the program is not national in scope. As of June 30, 1990, there were only 23,482 policies in force in the 14 states and three jurisdictions that participate in the program. The state of New York alone accounted for over 56 percent of the policies in force. The continuing need for a Federal program is evidenced by the fact that the policy count has been dropping steadily since 1980 when there were over 83,000 policies in force. Nine states have also withdrawn from the program.

Crime insurance is readily available in the private market, unlike flood insurance. Though it is often argued that it would be impossible to obtain this insurance without a federal program, various state mechanisms exist to handle the problem. Several states have developed crime insurance programs and other states offer crime insurance through their FAIR plans. As an example, the state of Michigan developed its own crime insurance program in the 1970's and has never participated in the Federal Crime Insurance Program. Other insurance problems such as automobile assigned risks and fire insurance have been handled at the state level and have not required a federal program.

The Federal Crime Insurance Program provides an insurance of last resort and as such should not be marketed so that it competes with the private sector. The Federal Insurance Administration has marketed this program with little success. In the late 1970's a pilot marketing effort was undertaken in five cities at a cost of $500,000 that resulted in no appreciable increase in policies. The Federal Insurance Administration and the city of Chicago conducted an

advertising campaign using television, radio, newspapers, and grassroots effort with very limited success in increasing the crime insurance policy base. The state of California also attempted to market the program and attracted only 1,500 policies.

Operating the Federal Crime Insurance Program is costing the Federal government over $1 million dollars per month and these costs will continue to increase. Since its inception, the program has borrowed over $129 million from the Treasury and an additional $124 million from the now extinct Riot Reinsurance Program. The costs to the taxpayers for this program needs to be re-examined in light of the many competing needs for scarce Federal resources.

Given the fact that the policy base has been declining, the availability of state alternatives, prior efforts to market the program, and the costs to the taxpayer it does not seem wise to further encourage participation in this program.

TOPIC: RATE CHANGES

One of the most basic and fundamental precepts of insurance theory is the so-called "law of large numbers," which means that the larger and more inclusive an insurance program is, the better able it will be to accomplish the important functions of spread of risk and, control of costs. However, in recent years there have been several rate increases in the Flood Insurance program, amounting to an increase of 120% since 1980. In 1983, GAO issued a report on the impact of premium rate increases in which it concluded that when price increases the demand is invariably reduced. As a result, many homeowners allow their policies to lapse.

In testimony before the House Subcommittee on Policy Research and Insurance on Wednesday, current Federal Insurance Administrator Harold Duryee (Duryee-AY) stated that a premium rate increase will be requested in 1992. What is your position with respect to increasing rates?

ANSWER: The last rate increase in the National Flood Insurance Program was made effective in September 1988. A rate increase in Fiscal Year 1992 means that there will have been three years without any increases.

It is true that the law of supply and demand will have some influence on the purchase of flood insurance. However, there is a tradeoff between this influence and the need to cover National Flood Insurance Program expenses and maintain premium income so that the Program remains self-supporting in the historical average loss year level. To do this, a rate increase may be required.

Rate increases can be imposed without jeopardizing the Program's spread of risk as long as they are implemented judiciously. The Write Your Own Program was established, in part, to increase marketing efforts through the private sector and in 1989, a new "Preferred Risk" policy was introduced to attract new policyholders with a premium as low as $75 per year. Even with the rate increases to date, the policy base has grown from 1.9 million in 1981 to a current level of 2.3 million.

I will continue efforts to increase the policy base and hold down costs while including in the premium all the expenses that the policyholders should legitimately bear.

TOPIC: MAPPING

In order for the Federal Insurance Administration to determine which areas should be required to have National Flood Insurance, risk maps which locate flood plains must be accurate. Currently, the Federal Insurance Administration has published risk maps for 18,660 communities. Once flood risks have been mapped and published, they are subject to factor which cause them to change thereby affecting their accuracy and value as a tool for insurance and planning purposes.

The Flood Insurance Rate Maps are the fundamental tools used by local land use programs to guide development of flood-prone areas. These maps are also used to determine who is required to buy insurance. Many of the maps currently used are outdated or need more detail to support local regulation.

Do you believe a regular program for updating maps should be a continuing role for the Federal Insurance Administration? Furthermore, how much is currently being spent on the mapping function and what level of resources do you feel should be devoted to this activity in the future?

ANSWER: A regular program for updating maps should be a continuing role for the Federal Insurance Administration. Flood risks change as a result of both man-made and natural processes occurring in the riverine and coastal floodplains of the Nation. The accuracy with which flood risks are identified and mapped also change as more historic information and data is acquired and as improved hazard identification methodologies are developed. It will be necessary to have a continuing mapping program to keep current with these changes to assure that hazards are mapped as accurately as possible thereby in turn assuring that the insurance program is based on true actuarial risk.

Currently, about $36.5 million dollars per annum is dedicated to mapping efforts. It is estimated that a program to maintain the existing accuracy of published maps will consist of 120 flood insurance restudies, 60 existing data restudies, 375 map revisions and 3,270 letters of map correction. About 65% of the map revisions and 100% of the letters of map correction will be accomplished using state, local, or appellant-supplied data, estimated to be worth about $4 million annually.

Funding of the maintenance program from appropriations or the National Flood Insurance Fund is estimated to require $26.5 million annually. These costs include map reprinting and redistribution costs. The estimate of annual maintenance costs is derived in the report, "A Cost-Effective Plan For

Flood Studies Maintenance" prepared by FEMA in February 1989 (copy attached).

This estimate does not contain any provisions for funding any program initiative such as erosion mapping which would be required to fully implement Section 544 of the Housing and Community Development Act of 1987, digitizing maps, or additional costs of mapping should Congress adjust land acreage identified under the Coastal Barrier Resources Act (CBRA).

The maintenance program, erosion mapping program, and the digitization of published NFIP maps can all be accomplished within the current annual amount of $36.5 million that has been traditionally authorized and appropriated for flood studies and surveys. Unless additional dedicated funding is provided for acreage adjustments under the CBRA, FEMA would have to postpone other priority planned map updates to accomplish the necessary CBRA adjustments.

NATIONAL FLOOD INSURANCE PROGRAM

A COST - EFFECTIVE PLAN FOR FLOOD STUDIES MAINTENANCE

Federal Emergency Management Agency
Federal Insurance Administration
Office of Risk Assessment
Washington, D.C.
February1989

Second Printing

TOPIC: MITIGATION

Many buildings are known to experience repeated flooding. Since flood insurance payments can only be used to repair a property to the condition it was in before the flooding, a structure is still exposed to repeated damage should flooding reoccur. Mitigation is the process by which actions are taken to eliminate or significantly reduce long-term risks to life and property that is caused by flooding. FEMA-funded research in Illinois indicated that people who implement flood-proofing measures in their homes were three times less likely to receive a claim payment for another flood. These results suggest that mitigation is a good way to reduce claims.

Do you agree that implementing claim control measures, such as mitigation, is an appropriate activity for the National Flood Insurance Program?

ANSWER: Mitigation is an appropriate activity for the National Flood Insurance Program. Flood insurance is not available in a community unless that community adopts and enforces floodplain management ordinances that meet or exceed minimum standards established by FEMA. New structures and substantial improvements to existing structures must be protected to the 100 year or base flood. These floodplain management measures have proven to be effective in reducing flood damages to new structures as evidenced most recently by the performance of these structures during Hurricane Hugo and, overall, by the substantially lower frequency of claims on these structures. New structures and substantial improvements to existing structures are subject to actuarial insurance premiums which provide economic incentives and disincentives to support the floodplain management requirements. Existing structures which are substantially damaged by a flood are eligible for acquisition under Section 1362 of the National Flood Insurance Act of 1968.

FIA has recognized that more can be done to mitigate damages to existing structures. I note that FIA reports originally brought the issue of repetitive loss structures to public attention. The agency has developed manuals, a video, and other informational materials, conducted special studies, sponsored conferences, incorporated mitigation activities as a required activity under the newly established Community Rating system (CRS), and taken other initiatives to address the issue. The House Subcommittee on Policy Research and Insurance has just completed a series of hearings which addressed this issue in which FIA took an active role.

TOPIC: COMMUNITY RATING SYSTEMS

In 1988, the National Flood Insurance Program created the Community Rating System. Under the Community Rating System, flood insurance premium credits would be available in those communities that undertake activities that reduce flood losses or increase the number of flood insurance policies. The system rewards communities that do more than the minimum to protect residents from flood losses. Under the Community Rating System a community may receive incentives such as reductions in their insurance premiums. The Community Rating System is proposed as a voluntary program to encourage communities to strengthen their flood plain management programs.

Do you support the continuation of this program?

ANSWER: The first community applications under the Community Rating System are due in December of this year, and the first premium credits will be initiated in October 1991. This new program, which has been under development over the last few years with the help of many experts from around the country, will employ a standard insurance industry approach to linking risk management and insurance rates. I support the continuation of this effort.

TOPIC: POLICY DIRECTION

In your personal statement to the Committee, you indicated that since 1973 you have been employed by the American General Corporation of Houston, Texas. While at American General, you worked as a lobbyist to the Texas State Senate and House of Representatives on insurance issues. In addition, you have worked with the Texas State Board of Insurance on insurance regulatory matters.

Given your extensive dealings on state insurance matters, can you please elaborate for the Committee what policy initiatives you wish to pursue as Administrator?

ANSWER: As Federal Insurance Administrator, I expect to pursue the policy initiatives listed below. It should be noted that additional efforts could be initiated and implemented should circumstances and future developments prove necessary to effectively and efficiently operate the Federal Insurance Administration.

I intend to expend considerable effort in expanding the policy base of the National Flood Insurance Program (NFIP) throughout the Nation. Such increases, in both the number of policies and amounts of coverage per policy, would help the FIA continue to operate the NFIP in a self-supporting manner. At the same time, an expansion of the policy base would increase the financial reserves of the NFIP so that sufficient funds are available to pay future claims made by the flood insurance policyholders.

I intend to reemphasize the flood mitigation policies and programs now underway as an integral part of the NFIP. In doing so, I will work with and coordinate these efforts with participating communities and the States to help to reduce the financial losses of insureds covered by the NFIP.

I will focus my efforts on implementing the Community Rating System scheduled to begin operation in October 1991 and will closely monitor its results to determine if it is encouraging additional floodplain management and increased participation by residents in communities covered by the Community Rating System.

I will be sensitive and responsive to the opportunities to gain maximum efficiencies and cost savings in the FIA from available resources including staff, operating, and other costs.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: McBride (LAST) Timothy (FIRST) John (OTHER)

Position to which nominated: Assistant Secretary of Commerce for Trade Development

Date of nomination: June 19, 1990

Date of birth: 10 (DAY) 10 (MONTH) 58 (YEAR)

Place of birth: Orange, California

Marital status: Single

Full name of spouse:

Name and ages of children: N.A.

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Eastern Michigan University	9/77-5/82	B.B.A.	5/82

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

1990 Eastern Michigan University Outstanding Young Alumni

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
Ypsilanti, MI Jaycees	member	1979-1981
Coral Springs, FL Jaycees	member	1983-1984

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

Special Assistant to the President of the U.S. 1/89 to Present
The White House; Washington, D.C.

Special Assistant to the Vice President of the U.S. 11/85 to 1/89
Executive Office of the President--OVP; Washington, D.C.

Deputy Director of Vice Presidential Advance 6/85 to 11/85
Executive Office of the President--OVP; Washington, D.C.

Vice Presidential Advanceman 2/85 to 6/85
Office of the Vice President (on the payroll of the Republican National Committee); Washington, D.C.

Consultant for Parade Construction 11/84 to 2/85
Presidential Inaugural Committee; Washington, D.C.

Vice Presidential Advanceman 9/84 to 11/84
Reagan-Bush '84 Campaign Committee; Washington, D.C.

Logistics Consultant 7/84 to 9/84
1984 Republican National Convention; Dallas, Texas

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.
(continued)

School Director 1/84 to 5/84

Special Training Opportunity Program, Inc.; West Palm Beach, FL

(S.T.O.P., Inc., was a non-profit job training program for economically deprived men and women).

Small Business Management Consultant 7/82 to 12/83

Self-employed; Coral Springs, Florida

Government experience: List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.

Special Assistant to the President of the United States 1/89 to Present

Special Assistant to the Vice President of the U.S. 11/85 to 1/89

Deputy Director of Vice Presidential Advance 6/85 to 11/85

Published writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

None

Political affiliations and activities: List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

Sustaining member of the Republican National Committee

5th Vice Chairman, Michigan Republican State Committee 1979-1981

Political contributions: Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

None

Qualifications: State fully your qualifications to serve in the position to which you have been named. (attach sheet)

(See Attachment #1)

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

Yes

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

No such plans

3. Has anybody made you a commitment to a job after you leave government?

No

4. Do you expect to serve the full term for which you have been appointed?

Yes

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

None

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

None

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

None

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

None

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

(See Attachment #2)

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

None

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

None

NOMINEE: Timothy J. McBride
ATTACHMENT #1

Qualifications:

Since joining Vice President Bush's personal staff in 1985, my understanding of the United States' critical role in international trade has been enhanced through daily personal contact and extensive travels with President Bush. I have been instrumental in arranging many of the President's overseas visits where trade issues have been discussed. My challenging years working in the Executive branch have prepared me for a role of greater substantive responsibility.

Service in the Executive branch has given me a unique understanding of the importance of the Executive and Legislative branches cooperating fully in all areas relating to United States' trade policy. In my role as Special Assistant to the President I have developed a working knowledge of the interagency process. My skills in dealing with diverse groups working toward common goals will be vital in my efforts to succeed in this endeavor.

Finally, I have come to realize the importance of increasing trade with the emerging democracies of Eastern Europe and of Latin America. Should I be reported by this Committee and confirmed by the United States Senate, I would be eager to work with the Congress in support of the President and his strong commitment to the goal of opening more avenues of trade.

NOMINEE: Timothy J. McBride
ATTACHMENT #2

Potential Conflicts of Interest (#5):

I will consult with the General Counsel of the Department of Commerce and, if appropriate, divest myself of conflicting interests, recuse myself, or obtain a waiver of conflict of interest restrictions under 15 U.S.C. 208(b) if the interest is not substantial.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: Schauerte (LAST) Clemence (FIRST) Martin (Nickname: "Bud") (OTHER)

Position to which nominated: Federal Insurance Administrator Date of nomination: June 22, 1990

Date of birth: 17 (DAY) November (MONTH) 1928 (YEAR) Place of birth: Belleville, Illinois

Marital status: Married Full name of spouse: Ann Frances (Krchnak) Schauerte

Name and ages of children:

Margaret Jean Puckette	Age 33	Born May 20, 1957
Marian Ruth Schauerte	Age 32	Born December 9, 1958
Clare Ann Blando	Age 29	Born August 1, 1960
George Schauerte Paul	Age 27	Born May 17, 1963

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Cathedral High School	1942-46	Graduate	1946
University of Missouri - Columbia	1946-51	A.B.	Jan. 1951
University of Missouri - Columbia	1951	B.J.	Aug. 1951
University of Missouri - Columbia	1953-54	M.A.	Aug. 1954

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

Valedictorian, Cathedral High School, Belleville, Ill.----------1946

First Place, Oratory Competition, St. Louis Area Catholic High Schools--1946

Carl Stepp Award for Outstanding Service to Sigma Alpha Epsilon, Columbia, Missouri----------1949

From 1955 through 1960, 32 Texas State and National editorial awards for corporate publications

Outstanding Kiwanian, Kiwanis Club of Houston----------1976

Outstanding Service Award, Volunteers of America, A United Way Agency, for service as President----------1975

Member: Houston American Revolution Bicentennial Commission----------1976

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
Please See Attachments Page		

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

Please See Attachments Page

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES ATTACHMENT

MEMBERSHIPS

Sigma Alpha Epsilon Social Fraternity----------3-48 to Present

Kiwanis Club of Houston, Club Secretary, Board of Directors----------2-72 to Present

Sheltering Arms (United Way Agency serving seniors) Board of Directors----------3-87 to 2-90

Houston International University, Vice-Chairman and Member Board of Trustees----------4-85 to 3-88

Volunteers of America (United Way Agency serving disadvantaged students) President of Advisory Board----5-71 to 5-75

Houston Chamber of Commerce, Member of Crime Control Committee and Legislative Committee----------2-73 to Present

Texas Life Insurance Association----------2-73 to Present

Association of Fire and Casualty Companies in Texas------2-73 to Present

Boy Scouts of America (Explorer Division) Area Chairman----------5-72 to 5-74

Texas Safety Association, Board of Directors----------11-88 to 2-90

Houston American Revolution Bicentennial Commission------1975-1976

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES ATTACHMENT

EMPLOYMENT RECORD

Nov. 1951 to July 1952: General Assignment News Reporter, The West Frankfort (Ill.) Daily American

July 1952 to Aug. 1953: United States Air Force, 1st Lt. Academic Instructor, Laredo AFB, Texas

Aug. 1953 to June 1954: Graduate Assistant: Journalism (while attending Graduate School, University of Missouri, Columbia, Missouri

Oct. 1954 to May 1955: Promotion Mgr. The South Bend (Ind.) Tribune, South Bend, Indiana

May 1955 to March 1972: Conoco Inc. Employed as follows:

5/55: Assistant Editor, Corporate Publications
8/55: Editor of Employee Communications
6/62: Assistant Director, Wage & Salary Administration
2/64: Assistant Manager of Personnel, Fort Worth, TX
6/65: Supervisor of Corporate Communications
11/66: Assistant Director of Public Relations
11/67: Director of Civic Affairs
4/68: Director of Public Affairs and Public Relations, London, England
7/70-3/72: Director of Corporate Press Relations

March 1972 to Feb. 1973: Administrative Assistant to the Mayor, City of Houston (Mayor Louie Welch)

Feb. 1973 to Jan. 1977: American General Corporation, Director of Public Affairs and Public Relations

Jan. 1977 to June 1984: American General Corporation, 2nd Vice President and Director of Government Affairs

June 1984 to Present: American General Corporation, Vice President/Associate Director Government Affairs

Sept. 1966 to Sept. 1976: Lecturer/Instructor (part time) in College of Technology, University of Houston

Government experience: List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.

March 1972 to February 1973: On a leave of absence from Conoco, Inc., I served as Administrative Assistant to Houston Mayor Louie Welch. In this capacity, I acted as Executive Director of the Houston Job Fair which found and developed 3,737 summertime jobs for Houston area students ages 13 to 21. Other duties included a wide range of administrative responsibilities.
In April 1990, I was appointed by the Texas Insurance Commissioner, A.W. Pogue, to a 17-member State Board of Insurance/Industry Committee to study and develop the Insurance Department's 1991-92 budget with special consideration on fees and assessments and their allocation to programs and services of the State Board of Insurance.

Published writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

As a general assignment reporter for the Columbia, Mo. Columbia Missourian and the West Frankfort, Il. Daily American and also as Editor of corporate publications at Conoco, Inc., I have written hundreds of articles and features on a wide range of subjects. These included but are not limited to: business news, police and courts news, local features, sports, education and science for daily newspaper consumption. In addition, I have written articles on the oil industry with emphasis on Conoco, Inc. activities in the U.S. and abroad. The articles appeared in literally hundreds of issues of these publications. I have written no books, articles or reports which were published in general interest magazines or other periodicals other than those mentioned above.

Political affiliations and activities: List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

Please See Attachments Page

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES ATTACHMENT

POLITICAL AFFILIATIONS AND ACTIVITIES

I have been active in Republican Party programs on the local, state, and federal levels for more than 30 years. But at the same time I have, upon request, assisted in the election campaigns of Democratic candidates mostly on the state level. I was elected Alternate Delegate to the Republican National Convention in 1988; a Bush delegate to the Texas State Convention in Houston in 1988; Houston Precinct 626 Houston Convention Chairman; and have participated in Texas Senatorial and State Conventions for some 10 years. In 1988, I was named Texas Bush Surrogate Speaker Chairman in the primary campaign and Bush Ambassador (surrogate speaker) in the National campaign of 1988. I was a volunteer for Candidate George Bush in the New Hampshire primary in 1980.

I served as a member of the Finance Committees of Texas Democrat Gary Mauro, Land Commissioner in 1986; Democratic State Senators John Whitmire, Chet Brooks, Hector Uribe, and Bill Sims plus several Texas State Representatives including Representatives Eddie Lucio, Ralph Wallace, Albert Luna, Sylvester Turner, Senfronia Thompson, John Gavin, and Lyndon Olson, Jr.

Through volunteer efforts and as a member of Finance Committees, I have raised funds and performed administrative duties in the election campaigns of Candidate Phil Gramm when he ran for the House of Representatives and the U.S. Senate. Others I have supported through political action and fund-raising include: U.S. Senators Bill Armstrong, John Tower, Jeremiah Denton, Mack Mattingly, and Steve Symms. Congressmen for whom I was active include: Bill Archer, Tom DeLay, Jack Fields, Jimmy Quillan, and Ron Paul.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES ATTACHMENT

QUALIFICATIONS

Since 1973--some 18-1/2 years--I have represented my employer, American General Corporation, the nation's fourth largest shareholder owned insurance company, on regulatory matters with the Texas State Board of Insurance and on legislative matters with the Office of the Governor and members of the Texas Legislature. The scope of the issues in which I have presented my company's position included property and casualty insurance, life insurance, tax-sheltered annuities and real estate.

I have testified at open hearings of the Texas State Board of Insurance on matters relating to insurance rates and the rating system of property and casualty insurance coverages in Texas. And, with executives of the State Board of Insurance, I have helped to solve minor disputes between my company, the Board, and other Texas insurers.

I have drafted, and advised in the drafting, of insurance legislation before the Texas Legislature and assisted in promulgating rules which the State Insurance Department would use in implementing legislation.

On a regular basis, I have prepared and presented testimony on insurance related legislation before committees of the Texas House of Representatives and State Senate. Also, I served as an information resource to certain Members of Congress some of whom have served as members of the Texas Legislature prior to their elections to Congress.

Finally, I have completed education requirements and have received my Texas licenses as a life and health insurance agent, (Agent #A007161), property and casualty insurance agent (Agent #0088104), and also have completed requirements and have been licensed as a NASD Registered Representative (CRD #1457160).

Political contributions: Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

Mrs. Schauerte and I have made numerous political campaign contributions since 1982 ranging from $50 to $250. Total annual campaign contributions have been in the range of $1,675 to $2,600. But no single contribution has been $500 or more. Recipients of our campaign contributions have been candidates for the Texas Legislature, U.S. Congress, Texas Governor, County-State-National Republican Party and Texas Lt. Governor. My wife and I have contributed considerable volunteer time in behalf of both Republican and Democratic candidates.

Qualifications: State fully your qualifications to serve in the position to which you have been named. (attach sheet)

Please See Attachments Page

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

Yes, I will sever all connections with my employer, American General Corporation, and request an early retirement status upon my confirmation.

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

I have no plans to resume employment or have any affiliation with my employer, American General Corporation, after completing government service. Currently, the company has offered itself up for sale.

3. Has anybody made you a commitment to a job after you leave government?

No person or organization has made a commitment to me for a job when I leave government service.

4. Do you expect to serve the full term for which you have been appointed?

Yes, I will serve the full term and at the pleasure of the President.

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

Upon confirmation of my appointment, I will request an early retirement from my employer and become the beneficiary of an annuity acquired through my 18-plus years of participation in the firm's Employee Retirement Program. I have no other financial arrangements, deferred compensation agreements, or other continuing dealings with business associates or other persons.

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

Through joint ownership, and my company Employee Thrift Plan, Mrs. Schauerte and I hold some 13,500 common shares of American General Corporation. Although the firm no longer writes property and casualty insurance coverages, which would have posed a conflict of interests, the company holds extensive real estate properties throughout the nation. Therefore, I have agreed that upon confirmation, we will divest ourselves totally of all American General securities.

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

In the past 10-plus years, I have had no business relationships or financial dealings with the federal government other than as a taxpayer and participant in the Social Security program. Currently, I receive no Social Security payments nor do I intend to apply for any in the near future.

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

During the past 10 years, I have been a registered, but mostly inactive, lobbyist on the federal level. During that period, I participated in supporting the passage of the Structured Payments Settlements Act of 1982. For a period of less than one year, I was involved with the life insurance industry in legislative action involving taxation of stock and mutual life insurance companies.

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

I have agreed to divest ourselves of all American General Corporation common shares owned individually and jointly with Mrs. Schauerte. We intend to roll-over the revenues from these shares into U.S. Treasury securities.

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

I have never been a defendant nor involved in any inquiry or investigation by a federal, state, or local agency.

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

I have never been involved in any proceeding or investigation by any professional association nor have I ever been the subject of a proceeding, inquiry or investigation.